

SENATE BILL REPORT

E2SSB 5805

As Passed Senate, April 9, 2007

Title: An act relating to the sales and use taxation of grain elevators.

Brief Description: Modifying provisions relating to the sales and use taxation of grain elevators.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Hatfield, Zarelli, Rasmussen, Swecker, Shin and Hargrove).

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 2/15/07, 2/26/07 [DPS-WM].

Ways & Means: 3/05/07 [DP2S, DNP].

Passed Senate: 4/09/07, 41-4.

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5805 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Rasmussen, Chair; Hatfield, Vice Chair; Schoesler, Ranking Minority Member and Jacobsen.

Staff: Sam Thompson (786-7413)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5805 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hobbs, Honeyford, Keiser, Parlette, Rasmussen and Tom.

Minority Report: Do not pass.

Signed by Senators Pridemore, Vice Chair, Operating Budget; Regala and Rockefeller.

Staff: Dianne Criswell (786-7433)

Background: Legislation enacted in 1997 exempts certain grain elevators from paying state sales and use tax on qualifying purchases of materials, equipment, and labor. The exemption is administered through remittance of tax paid.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

For grain elevators with a capacity of at least one million but less than two million bushels, the remittance is 50 percent of tax paid. For grain elevators with a capacity of at least two million bushels, the remittance is 100 percent of tax paid for qualifying construction, materials, service, and labor, and 50 percent of tax paid for qualifying equipment and labor and services rendered in installing, repairing, cleaning, altering, or improving the equipment.

New large grain elevators that are designed to minimize grain dust explosion risks include supporting structures and equipment that, in contrast to earlier practice, are erected apart from the main elevator structures. Existing law does not authorize the 100 percent tax remittance rate that would otherwise apply to these supporting structures and equipment if they were integrated with the main elevator structure, as in older facilities. Instead, they are subject to the 50 percent tax remittance rate applying to qualifying equipment.

Summary of Engrossed Second Substitute Bill: State sales and use tax remittance rates are modified for certain grain elevators on a phased basis.

Rates for Large Elevators, Effective July 1, 2007, to January 1, 2009: For "large grain elevator facilities," defined as land with one or more large grain elevators (structures primarily used for bulk handling of grain, oil seeds, and byproducts) with a combined capacity of at least three million bushels, specified remittance rates are effective from July 1, 2007, to January 1, 2009. These rates are:

- 100 percent for qualifying construction, remodeling, repairing, cleaning, altering, or improving, and materials, service, and labor; and
- 50 percent for qualifying equipment and labor and services in installing, repairing, cleaning, altering, or improving the equipment.

These provisions expire January 1, 2009.

Rates for All Qualifying Elevators, Regardless of Size, Effective January 1, 2009: For grain elevators with a combined bushel capacity of one million or more, or a bushel capacity of less than one million, but which are required to be licensed by the Washington State Department of Agriculture under agricultural commodity standards or by the federal government for similar purposes, specified remittance rates take effect January 1, 2009. These rates are:

- 100 percent for qualifying construction, remodeling, repairing, cleaning, altering, or improving, and materials, service, and labor; and
- 50 percent for qualifying equipment and labor and services in installing, repairing, cleaning, altering, or improving the equipment.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and several effective dates. Please refer to the bill.

Staff Summary of Public Testimony on Original Bill (Agriculture & Rural Economic Development): PRO: This bill will clarify current law to enable a large modern export facility with dispersed operations that is proposed for construction at the Port of Longview to benefit from the existing sales and use tax exemption applying to older facilities. The

Longview facility will generate economic development in Cowlitz County and provide extra capacity for the anticipated growth in grain exports to Asia and the Middle East.

CON: The tax exemption should not be extended to facilitate construction of a large new grain elevator when existing grain elevators are not operating at capacity.

OTHER: It is unclear why this legislation is necessary when existing Washington grain elevators are not operating at capacity.

Persons Testifying (Agriculture & Rural Economic Development): PRO: Randy Ray, Bailey Regan, Jerry Gibson, EGT Development; Ken O'Hollaren, Port of Longview; Ted Sprague, Cowlitz Economic Development Council; Cliff Finch, AEQUUS; Mark Neher, EGT/Itochu International.

CON: Mike Burgess, Pacific Northwest Grain Export Association.

OTHER: Heather Hansen, Washington Association of Wheat Growers; Dan Coyne, Washington State Council of Farmer Cooperatives.

Staff Summary of Public Testimony on Substitute Bill (Ways & Means): PRO: This bill offers incentives to bring additional grain exporting capacity to Washington State by providing similar tax benefits as were given to grain elevators in 1997. Many construction costs for new facilities, that would have previously qualified for the remittance, will not qualify now due to changes over the last ten years in facility design and industry practice. Grain exporting is a growing sector, and Washington State should be at the forefront. A new grain exporting facility in Longview will bolster Washington's international trade position, create jobs for Washington farmers, and help the United States grain exporting balance. Construction of this facility will create a lot of jobs and economic development.

CON: Grain elevator operators and exporters in Washington State have concerns about fairness. These tax benefits should apply equally.

Persons Testifying (Ways & Means): PRO: Senator Hatfield, prime sponsor; Senator Rasmussen, cosponsor; Mark Neher, EGT/Itochu International; Ted Sprague, Cowlitz Economic Development Council; Cliff Finch, EGT/AEQUUS.

CON: Mike Burgess, Pacific Grain Export Association.